

Shareholder
222 Houston
Houston, Tx

Dear Shareholder,

There have been many changes at TexCom, Inc. in recent months. We have increased volumes in our disposal operations and expanded into new growth markets in South Texas. We are in the final stages of the permitting process for our Class I industrial wastewater disposal operation in Montgomery County, Texas. We have taken steps to extend our reach vertically into oilseed processing to support our future biodiesel projects. At the corporate level, we are completing our audit and planning to file with the Securities and Exchange Commission to move ourselves to a trading market that will increase our visibility as a public company. We have engaged the services of a Financial Advisor/Investment Bank to assist us in expansion of our oil & gas waste disposal business and in the project finance arena for our biodiesel efforts.

Disposal Our non-hazardous oilfield waste disposal business is thriving. M.B. Energy increased its revenue in the first half of 2007 to \$1.5 million from \$1.4 million in the first half of 2006. We have recently added Conoco Phillips, Chevron, Anadarko and Enron Oil & Gas to our client list of over 200 companies. These clients, much larger than our average client, generate significant waste streams and represent the potential for strong growth in our incumbent disposal assets. We have increased our permitted capacity for waste disposal at M.B. Energy from 6,000 barrels per day to 10,000 barrels per day. The disposal site at Luling has 5,000 barrels per day of capacity, taking our total current capability to 15,000 barrels per day at the two sites. To provide for future growth, M.B. Energy has a permit to drill an additional well at the Chambers County site.

Our commercial Class I industrial wastewater disposal initiative continues to progress. Generation of non-hazardous industrial wastewater here in Texas is the largest in the world and yet there are very few commercial disposal well players in this market. The rate of generation of this class of water is less cyclical than that of the oil & gas drilling industry and thus lends itself to long lived contracts for disposal. With receipt of our permit for the Montgomery County site, we will have capacity to dispose of more than 11,000 barrels of water per day in our first well, already completed. Operating at 50% of capacity and current per barrel prices, revenue from this site could exceed \$20,000 per day. Our permit application is for a total of four wells at this site, giving us redundant capability and the ability to expand quickly when market demand dictates. The industrial wastewater permitting process is an extensive undertaking and considerably more expensive than obtaining a Class II permit to serve the oil & gas industry. This results in far fewer competitors being in this market. These barriers to entry are considerable but we have the bulk of that time and expense behind us now. Our permit application has received approval from the Executive Director of the Texas Commission on Environmental Quality (TCEQ) and the permits have been drafted. We expect to complete the entire process and have the permits issued in the coming months.

Biodiesel. The growing biodiesel industry, like all new markets, has been

volatile. Just a few years ago, most funding sources that we approached for our first biodiesel project did not understand what biodiesel was. Then upon recognition of its potential, Wall Street waded into the market, funding numerous small and medium sized management teams to develop biodiesel projects. The accompanying media interest and high visibility of these projects created the appearance that a feedstock shortage would exist. Prices for all potential biodiesel feedstocks rose quickly and significantly, dooming many of the projects in planning before they were put into operation. An additional negative occurred when the Texas Legislature recently determined that it would no longer fund a biodiesel producer's cash subsidy that would have provided as much as \$3 million per year for ten years for plants producing in Texas.

In May of this year, we sold our interest in the 35 Million gallon biodiesel processing facility that we developed as Houston Biodiesel, LLC at Seabrook, Texas, recovering the equity capital we had put into the project as well as a developers fee. TexCom management conceived the project and successfully executed the planning, financing and construction contracting for Seabrook, but we only owned 44% of the project. We were in a position of ownership in which we could not control our project, include its revenue in our income statements and, most importantly, could not utilize commodity markets to effectively limit the impact on rising feedstock prices in vegetable oils on profitability. This conflicted with our desire as a public growth company to recognize the significant revenue that a project of this type would create. Volatile feedstock prices spoke to a need to move upstream, control our costs and eliminate the dependence on large oilseed crushers to provide our raw materials. In order to better position ourselves for changing commodity market conditions, we have shifted our focus in biodiesel from that of a pure oil processor to becoming an integrated oilseed crusher and biodiesel manufacturer.

For over a year we have been examining various prospects for long term supply of oil. Of these, the best potential for a long term competitive advantage that we have found thus far exists in construction of a combined oilseed crushing and biodiesel production plant in Paraguay. We are well into the project's concept phase and are pursuing contracts for soybeans to crush, a port facility from which to ship and off-take agreements for sale of our finished product. Paraguay is politically stable and is the 6th largest soybean producer in the world, but lacks significant oilseed crushing infrastructure. There are no in-country biodiesel plants to supply a government mandated 3% renewable fuel component for diesel consumed in Paraguay in 2008, increasing to 5% in 2009. Our planned facilities there will create jobs, new demand for oilseed growers and potentially improve exports for the country.

For TexCom, this 3000 ton per day oilseed crushing and 60 million gallon per year biodiesel plant will provide an integrated profit center and better insulate us from agricultural price swings. Our proposed entrance into this market has been extremely well received there by both the government and the agricultural industry. On a recent trip to Paraguay, we met with the Ministers of Industry & Commerce, Agriculture, and Energy as well as representatives from eight local farmers cooperatives. To implement our plan, we are purchasing Biodiesel International Corporation (BIC), owned by native Paraguayans who have extensive business relationships in government and industry there. We have engaged Stancil & Company (www.stancilco.com), an engineering consulting company in Dallas, to conduct a feasibility analysis for the proposed facility. This independent study will significantly enhance

and accelerate our sourcing of capital and the pace of development.

To source capital for TexCom's growth, we have engaged Investment Bankers SMH Capital Investment Banking Group, a division of Sanders Morris Harris, Inc. (NASDAQ SMHG), a full service investment bank providing middle-market companies with private placements and public offerings of equity and debt securities, as well as financial-advisory services in connection with mergers and acquisitions, restructuring and recapitalizations. The firm provides a full spectrum of investment banking services, including raising capital, research coverage, creating liquidity, trading and market making, merger and acquisition advisory services, sales support, and investor conferences. More information is available at www.smhib.com/aboutus.aspx. Sanders Morris Harris Group has \$15 billion of capital under management, an extensive list of clients, an award-winning Research Team, Institutional Sales and Trading, equity researchers and over 500 financial consultants.

It is important to your Board of Directors that our shareholders have the right perspective in regard to our sale of interest in Houston Biodiesel, LLC. TexCom management conceived the idea of building this biodiesel plant at an existing terminal facility on the Houston Ship Channel, successfully developed all the necessary elements of the project and secured the equity and debt financing. Those accomplishments have given TexCom recognition by the financial community and established our credibility as a capable biodiesel project developer. For a number of reasons, including the facts that we did not hold controlling interest in the company and faced a \$1.0 million shortfall in our capital commitment, we sold our position in Houston Biodiesel to our equity partner and are now focusing our efforts on the project in Paraguay which expands our involvement upstream into grain crushing to produce the biodiesel raw material.

Through our upcoming S.E.C. filing and capital raise we expect to qualify TexCom for listing on one of the national stock exchanges. We must position ourselves in larger traded markets to improve our visibility and position TEXC as company on the rise. We look forward to your continuing support and interest in TexCom as we implement these plans.

Sincerely,
Louis A. Ross

Chairman & CEO

<http://www.texcomresources.com/www.pinksheets.com/pink/quote/quote.jsp?symbol=texc>

Contact Us at info@tcri.net